

**Obion County Nursing Home
Union City, Tennessee**

**Cost Report and Resident Accounts
For the Period
July 1, 2002, Through June 30, 2003**

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
State Capitol
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John G. Morgan
Comptroller

January 25, 2005

The Honorable Phil Bredesen, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
J. D. Hickey, M.D., Deputy Commissioner
Bureau of TennCare
Department of Finance and Administration
729 Church Street, Fifth Floor
Nashville, Tennessee 37247

Ladies and Gentlemen:

Pursuant to Section 71-5-130, *Tennessee Code Annotated*, and a cooperative agreement between the Comptroller of the Treasury and the Department of Finance and Administration, the Division of State Audit performs examinations of nursing facilities participating in the Tennessee Medical Assistance Program under Title XIX of the Social Security Act (Medicaid).

Submitted herewith is the report of the examination of the Medicaid cost report of Obion County Nursing Home, Union City, Tennessee, for the period July 1, 2002, through June 30, 2003, and resident accounts for the period July 1, 2002, through June 30, 2003.

Sincerely,

John G. Morgan
Comptroller of the Treasury

JGM/pn
04/116

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report
Obion County Nursing Home
Union City, Tennessee
Cost Report and Resident Accounts
For the Year Ended
July 1, 2002, Through June 30, 2003

FINDINGS RECOMMENDING MONETARY REFUNDS

Nonallowable Expenses Included on the Cost Report

The facility included \$246 of nonallowable expenses on the "Intermediate Care Statement of Reimbursable Costs" for the year ended June 30, 2003. Disallowed costs for the period consist of expenses for meals for the administrator's spouse. As a result of this adjustment, the facility was overpaid \$212 computed from July 1 through December 31, 2004.

Need to Properly Manage Unrefunded Credit Balances

The facility has not established a system to ensure that credit balances on the accounts of deceased or discharged residents are properly managed. Management failed to refund \$4,406 of the credit balance due the Medicaid Program.

FINDING NOT RECOMMENDING MONETARY REFUNDS

Patient Trust Funds Not in Interest-Bearing Account

Patient funds held in trust are in a regular checking account rather than an interest-bearing account. These funds should be placed in an interest-bearing account so residents are able to earn interest until the funds are refunded to or used by the patient.

**Obion County Nursing Home
Union City, Tennessee
Cost Report and Resident Accounts
For the Period
July 1, 2002, Through June 30, 2003**

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**Obion County Nursing Home
Union City, Tennessee
Cost Report and Resident Accounts
For the Period
July 1, 2002, Through June 30, 2003**

INTRODUCTION

PURPOSE AND AUTHORITY OF THE EXAMINATION

The terms of contract between the Tennessee Department of Finance and Administration and the Tennessee Comptroller's office authorize the Comptroller to perform examinations of nursing facilities that participate in the Tennessee Medicaid Nursing Facility Program.

Under their agreements with the state and as stated on cost reports submitted to the state, participating nursing facilities have asserted that they are in compliance with the applicable state and federal regulations covering services provided to Medicaid-eligible recipients. The purpose of our examination is to render an opinion on the nursing facilities' assertions that they are in compliance with such requirements.

BACKGROUND

To receive services under the Medicaid Nursing Facility Program, a recipient must meet Medicaid eligibility requirements under one of the coverage groups included in the *State Plan for Medical Assistance*. The need for nursing care is not in itself sufficient to establish eligibility. Additionally, a physician must certify that recipients need nursing facility care before they can be admitted to a facility. Once a recipient is admitted, a physician must certify periodically that continued nursing care is required. The number of days of coverage available to recipients in a nursing facility is not limited.

The Medicaid Nursing Facility Program provides for nursing services on two levels of care. Level I Nursing Facility (NF-1) services are provided to recipients who do not require an intensive degree of care. Level II Nursing Facility (NF-2) services, which must be under the direct supervision of licensed nursing personnel and under the general direction of a physician, represent a higher degree of care.

Obion County Nursing Home, Henderson, Tennessee, provides only NF-1 services. The facility is owned by the County of Obion and governed by a seven-member board. The board of directors is as follows:

Melvin Anderson
Jimmy Greer
Rev. Eugene Coleman
Phyllis Jones

Kay Wilkes
Gaylon Caldwell
Jimmy Gwaltney

During the examination period, the facility maintained a total of 56 licensed nursing facility beds. The Division of Quality Assurance of the Department of Health licensed the facility for these beds. Eligible recipients receive services through an agreement with the Department of Health. Of the 20,440 available bed days, the facility reported that 14,176 were for Medicaid NF-1 residents and 6,255 were for Private NF-1 residents for the year ended June 30, 2003. Also, the facility reported total operating expenses of \$1,982,698 for the period.

The Division of Quality Assurance inspected the quality of the facility's physical plant, professional staff, and resident services. The nursing facility met the required standards.

The following Medicaid reimbursable rate was in effect for the period covered by this examination:

<u>Period</u>	<u>Level I NF (744-0034)</u>
July 1, 2002, to June 30, 2003	\$99.50

PRIOR EXAMINATION FINDINGS

This facility has not been examined within the past five years.

SCOPE OF THE EXAMINATION

Our examination covers certain financial-related requirements of the Medicaid Nursing Facility Program. The requirements covered are referred to under management's assertions specified later in the Independent Accountant's report. Our examination does not cover quality of care, clinical, or medical provisions.



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
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Independent Accountant's Report

June 30, 2004

The Honorable Phil Bredesen, Governor
and

Members of the General Assembly
State Capitol
Nashville, Tennessee 37243

and
Mr. Manny Martins, Deputy Commissioner
Bureau of TennCare
Department of Finance and Administration
729 Church Street, Fifth Floor
Nashville, Tennessee 37247

Ladies and Gentlemen:

We have examined management's assertions, included in its representation letter dated June 30, 2004, that Obion County Nursing Home complied with the following requirements during the cost report period July 1, 2002, through June 30, 2003, and to the facility's resident accounts for the period.

- Income and expenses reported on the Medicaid Cost Report are reasonable, allowable, and in accordance with state and federal rules, regulations, and reimbursement principles.
- Resident days reported on the Medicaid Cost Report have been counted in accordance with state regulations. Medicaid resident days billed to the state for periods when residents were hospitalized or on therapeutic leave are in accordance with the 15-day hospital stay rule, the 85% occupancy rule, and the 18-day therapeutic leave day rule.

- Charges to residents and charges to residents' personal funds are in accordance with state and federal regulations.

As discussed in management's representation letter, management is responsible for ensuring compliance with those requirements. Our responsibility is to express an opinion on management's assertions about the facility's compliance based on our examination.

Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants, and accordingly, included examining on a test basis, evidence about Obion County Nursing Home's compliance with those requirements and performing such other procedures as we considered necessary under the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Obion County Nursing Home's compliance with specified requirements.

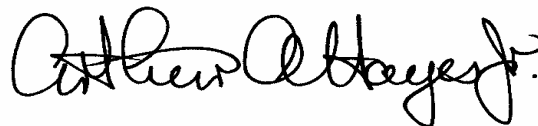
Our examination disclosed the following instances of material noncompliance applicable to state and federal regulations:

- Nonallowable expenses included on the cost report
- Need to properly manage unrefunded credit balances
- Patient funds not in an interest-bearing account

In our opinion, except for the instances of material noncompliance described above, management's assertions that Obion County Nursing Home complied with the aforementioned requirements for the cost reporting period July 1, 2002, through June 30, 2003, and for resident accounts for the period July 1, 2002, through June 30, 2003, are fairly stated in all material respects.

This report is intended solely for the use of the Tennessee General Assembly and the Tennessee Department of Finance and Administration. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,

A handwritten signature in black ink, appearing to read "Arthur A. Hayes, Jr.", with a stylized, cursive script.

Arthur A. Hayes, Jr., CPA
Director

AAH/pn

FINDINGS AND RECOMMENDATIONS

1. NONALLOWABLE EXPENSES INCLUDED ON THE COST REPORT

Finding

Obion County Nursing Home included \$245.85 of nonallowable expenses on the "Medicaid Nursing Facility Level I Cost Report" for the year ended June 30, 2003. Disallowed costs for the period consist of expenses for meals for the administrator's spouse.

Chapter 1200-13-6-.09(4)(f) of the *Rules of the Tennessee Department of Finance and Administration* states that "the following are . . . expenses not considered a part of the cost of providing routine service, and should be deducted . . . (5) Costs which are not necessary or related to patient care. . . ."

As a result of the expense adjustment noted above, the facility's Medicaid reimbursable rate was decreased as follows:

<u>Period</u>	<u>Original Rate</u>	<u>Adjusted Rate</u>	<u>Difference</u>
July 1, 2004, to present	\$111.94	\$111.91	(\$.03)

Overpayments made to the facility as a result of the above adjustments total \$212.64 computed from July 1 through December 31, 2004.

Recommendation

Obion County Nursing Home should include only allowable expenses on the "Medicaid Nursing Facility Level 1 Cost Report." All reported expenses should be related to patient care. Business and personal expenses should be clearly separated, and personal expenses must be excluded from allowable costs.

The TennCare Bureau should take the necessary steps to recover the \$212.64 due to the State of Tennessee, which represents overpayments by the Medicaid Program as a result of the rate adjustment computed from July 1 through December 31, 2004.

Management's Comment

We concur with this finding. Prior to May 17, 2004, no travel policy had been adopted by Obion County Nursing Home. On that date, travel policy was adopted which allows for

employee expenses only. The administrator's spouse had performed extensive unpaid skilled maintenance for the facility, saving the facility and the Medicaid program thousands of dollars; nevertheless on June 26, 2003, the state amount of \$245.85 was refunded to Obion County Nursing Home.

2. NEED TO PROPERLY MANAGE UNREFUNDED CREDIT BALANCES

Finding

Obion County Nursing Home has not established a system to ensure that credit balances on the accounts of deceased or discharged residents are properly managed. Management failed to refund the portion of the credit balances due the Medicaid Program.

Section 66-29-113 of *Tennessee Code Annotated* requires anyone holding funds or property presumed abandoned to file a report of that property with the State Treasurer. Chapter 1700-2-1-.19 of the *Rules of the Tennessee Department of Treasury* states, "Before filing the annual report of property presumed abandoned, the holder shall exercise due diligence to ascertain the whereabouts of the owner to prevent abandonment from being presumed."

One accounts receivable unrefunded credit balance of \$4,406.20 remains on the account of a former resident of Obion County Nursing Home. This entire amount is due the Medicaid Program for an overpayment to the facility made on behalf of the resident.

Recommendation

Obion County Nursing Home should maintain a system to refund credit balances on the accounts of former patients. The facility should maintain a record of the balances with the resident's name and social security number, the dates of last account activity and last owner contact, and the amount due the former resident. The facility should also maintain evidence of attempts to contact the owner of the credit balance.

A refund of \$4,406.20 should be made to the State of Tennessee for the amount due the Medicaid Program.

Management's Comment

Numerous documented unsuccessful attempts were made to refund the amount due the Medicaid program, by submitting "Adjustment Request" forms. No adjustment was ever made. Records were maintained as required and were open to inspection by auditors at all times. This overpayment occurred when a private insurance payment was received for a deceased resident on Medicaid. A refund was made to the State of Tennessee on November 29, 2004.

3. PATIENT TRUST FUNDS NOT IN INTEREST-BEARING ACCOUNT

Finding

Funds held in the patient's trust fund account are in a regular checking account. These funds should be in an interest-bearing account until they are refunded or used by the patient.

Section 68-11-906, *Tennessee Code Annotated*, states that "each nursing home shall deposit any funds in excess of one hundred dollars (\$100) received from, or on behalf of, a resident in an interest-bearing account, insured by an agency of the federal government. . . . The nursing home may keep up to one hundred dollars (\$100) of a resident's money in a non-interest bearing account or petty cash fund readily available for the resident's current expenditures."

Recommendation

Obion County Nursing Home should maintain trust funds over the \$100 cash limit in an interest-bearing account until needed for personal expenditures, and then transfer money into the petty cash account.

Management's Comment

We concur with this finding. In June 2004, Obion County Nursing Home's Patient Trust Fund, which never held more than \$2,000.00, was transferred to an interest-bearing account, as clearly stated in the regulations.

SUMMARY OF MONETARY FINDINGS AND RECOMMENDATIONS

Source of Overpayments

Rate reduction (see finding 1)	\$ 212.64
Unrefunded credit balances (see finding 2)	<u>\$ 4,406.20</u>
Total	<u>\$ 4,618.84</u>

Disposition of Overpayments

Due to the State of Tennessee	<u>\$ 4,618.84</u>
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